

Message Text

CONFIDENTIAL

PAGE 01 MANILA 11903 141836Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 H-01 L-03 PA-01
ICA-11 SP-02 AID-05 EB-08 NSC-05 SS-15 STR-07
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TO SECSTATE WASHDC 8482
INFO AMEMBASSY BANGKOK
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C O N F I D E N T I A L MANILA 11903

USADB

EO 11652:GDS
TAGS: EAID, EFIN, ADB
SUBJECT: INCREASED ASIAN DEVELOPMENT FUND LENDING TO
- INDONESIA

1. THE USED ACCOMPANIED BY HIS AUSTRALIAN COUNTERPART CALLED ON PRESIDENT YOSHIDA TO PRESS FOR INDONESIA'S BEING DECLARED A "FULLY ELIGIBLE" COUNTRY FOR ADF LENDING. THE TWO EDS NOTED THAT WITHIN PRESENT ADB GUIDELINES INDONESIA WAS BRACKETED WITH THE PHILIPPINES AND THAILAND AS "ARGINALLY ELIGIBLE" AND THAT ON THE BASIS OF ALMOST ALL ECONOMIC INDICATORS, IT OBVIOUSLY WAS A FAR POORER COUNTRY THAN THE LATTER TWO ASEAN PARTNERS. THE HISTORIC BACKGROUND OF INDONESIA'S BEING MADE "ARGINALLY ELIGIBLE" WAS REVIEWED AS WELL AS THE DEVELOPMENTS THAT HAVE OCCURRED SINCE THAT TIME THAT HAVE ALTERED THE IMPRESSION OF INDONESIA'S SHORT AND MEDIUM TERM ECONOMIC PROSPECTS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANILA 11903 141836Z

2. THE USED NOTED THAT IN USING THE TERM "FULLY ELIGIBLE" HE DID NOT MEAN THAT INDONESIA SHOULD ONLY RECEIVE HIGHLY CONCESSIONAL LENDING BUT THAT THERE SHOULD BE A BLEND BETWEEN ORDINARY CAPITAL LENDING AND ADF LENDING TO INDONESIA SIMILAR TO THAT GRANTED PAKISTAN.

3. THE USED STATED THAT HE WISHED TO RAISE THE QUESTION

WITH MANAGEMENT PRIOR TO THE BOARD'S CONSIDERATION OF THE FORTHCOMING BANK PAPER "CRITERIA FOR LENDING FROM THE ADF" TO SEE WHETHER MANAGEMENT WOULD NOT BE PREPARED TO MAKE SUCH A RECOMMENDATION. SUCH A MANAGEMENT RECOMMENDATION WOULD EASE ACCEPTANCE BY THE BOARD AND MIGHT AVOID A BOARD STRUGGLE THAT WOULD CAUSE EMBARRASSMENT AND HARD FEELINGS AMONG SOME OF THE MEMBERS.

4. PRESIDENT YOSHIDA STATED THAT HE WAS PERSONALLY SYMPATHETIC TO THE LOGIC OF DIFFERENTIATING BETWEEN INDONESIA ON THE ONE HAND AND THE PHILIPPINES AND THAILAND ON THE OTHER, BUT HE FEARED THAT OPENING UP THE ISSUE WOULD BE VERY DIVISIVE IN THE BOARD. MOST OF THE POORER MEMBERS OF THE BANK WERE LOOKING FORWARD TO CONSIDERABLY GREATER ADF LENDING AND MIGHT RESENT THE INTRODUCTION OF INDONESIA AS A FULL FLEDGED MEMBER OF THE QUEUE SINCE IT COULD ONLY DECREASE THE AMOUNTS AVAILABLE TO THEM. (HE DID NOT ADD THAT SEVERAL OF THE EUROPEAN MEMBERS MIGHT PROVE TO BE UNENTHUSIASTIC AS THEY HAD OTHER FAVORED CANDIDATES.) YOSHIDA THEREFORE EXPRESSED THE HOPE THAT AUSTRALIA AND THE UNITED STATES WOULD NOT FIND IT NECESSARY TO RAISE THE ISSUE.

5. BOTH THE AUSTRALIAN AND US EDS EXPRESSED REGRET THAT WE COULD NOT ACCEDE TO MANAGEMENT'S REQUEST SINCE WE WERE REFLECTING OUR GOVERNMENTS' POSITIONS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANILA 11903 141836Z

6. AFTER FURTHER DISCUSSION A PROSPECTIVE SOLUTION EMERGED IN WHICH IT WAS AGREED THAT MANAGEMENT WOULD CONSIDER AVOIDING THE USE OF THE TERMS "MARGINALLY ELIGIBLE" AND "FULLY ELIGIBLE" AND WOULD PLACE THE DEVELOPING COUNTRIES IN THREE CATEGORIES: A) THOSE THAT RECEIVE ONLY ADF LOANS; B) THOSE THAT WILL RECEIVE A BLEND OF ORDINARY CAPITAL AND ADF LOANS INCLUDING INDONESIA, THAILAND, AND THE PHILIPPINES; AND C) THOSE THAT WILL RECEIVE ONLY ORDINARY CAPITAL LOANS. THERE WAS LEFT A CERTAIN LACK OF CLARITY IN THE POSITION OF PAKISTAN WHICH IS NOW REGARDED AS "FULLY ELIGIBLE" BUT WHICH RECEIVES A BLEND OF ORDINARY CAPITAL AND ADF LENDING DUE TO THE RELATIVE SHORTAGE OF ADF RESOURCES.

7. THE PRESIDENT AGREED TO THE USED'S REQUEST THAT THE DESCRIPTIVE WORDING LEAD TO THE LOGICAL CONCLUSION THAT INDONESIA HAD A GREATER CLAIM TO ADF FUNDS THAN DID THE OTHER TWO.

8. AFTER A FURTHER BRIEF DISCUSSION CONCERNING ALLOCATION OF FUNDS, THE PRESIDENT TOLD US IN CONFIDENCE THAT HE WAS PREPARED TO INSTRUCT THE STAFF TO PROVIDE

INDONESIA FROM 50 TO 60 PERCENT OF THE ADF LENDING MADE
AVAILABLE TO THE THREE COUNTRIES WITH THE REMAINDER
BEING DIVIDED EQUALLY AMONG THE OTHER TWO.

9. ON THE BASIS OF THE ABOVE BOTH THE US AND AUSTRALIAN
EDS AGREED TO RECOMMEND SUPPORT OF THE PROSPECTIVE
MANAGEMENT REDRAFT WHICH WE BELIEVE SHOULD FULLY MEET
OUR OBJECTIVES AND AT THE SAME TIME SHOULD MINIMIZE THE
POSSIBILITY OF OTHER COUNTRIES OBJECTIONS TO THE IMPROVED
POSITION OF INDONESIA. EDMOND

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